

**STATEMENT OF MICHAEL LIU**  
**Assistant Secretary**  
**Public and Indian Housing**  
**U.S. Department of Housing and Urban Development**



**BEFORE THE**  
**UNITED STATES SENATE**  
**COMMITTEE ON INDIAN AFFAIRS**

**March 7, 2002**

## INTRODUCTION

Mr. Chairman, Mr. Vice Chairman, and Members of the Committee, thank you for inviting me to provide comments on President Bush's budget for HUD's Indian Housing and Community Development programs for fiscal year 2003.

My name is Michael Liu, and I am the Assistant Secretary for Public and Indian Housing. I am responsible for the management, operation and oversight of HUD's Native American programs. These programs are available to over 550 Federally-recognized and a limited number of state-recognized Indian tribes. We serve these tribes directly, or through tribally designated housing entities (TDHE), by providing grants and loan guarantees designed to support affordable housing activities and viable community and economic development. Our clientele is diverse; they are located on Indian reservations, in Alaska Native Villages, and in other traditional Indian areas.

In addition to those duties, my jurisdiction encompasses the public housing program, which aids the nation's 3,000-plus public housing agencies in providing housing and housing-related assistance to low-income families.

It is a pleasure to again appear before you, and I would like to express my appreciation for your continuing efforts to improve the housing conditions of American Indian and Alaska Native peoples. As you have heard in the tribal testimony at the recent NAHASDA hearing, much progress is being made and tribes are taking advantage of new opportunities to improve the housing conditions of the Native American families residing on Indian reservations, on trust or restricted Indian lands and in Alaska Native Villages. This momentum needs to be sustained as we continue to work together toward creating a better living environment across Indian Country.

## OVERVIEW

At the outset, let me reaffirm the Department of Housing and Urban Development's support for the principle of government-to-government relations with Indian tribes. HUD is committed to honoring this fundamental precept in our work with American Indians and Alaska Natives.

You may recall that when I testified before you last month, I confirmed that the Department was searching for a Deputy Assistant Secretary for Native American Programs. Tribal representatives and Members of this Committee spoke in support of setting the level for that position to Senior Executive Service (SES). In the spirit of cooperation, Secretary Martinez has agreed to re-advertise for the position as an SES.

## BUDGET SYNOPSIS

For Fiscal Year 2003, the President's budget proposes a total of \$740.5 million, specifically for Native American and Native Hawaiian housing, community and economic development, and education programs. Of that amount, approximately \$639 million is for direct, formula allocations under the Native American Housing Assistance and Self-Determination Act's (NAHASDA) Indian Housing Block Grant Program, \$71 million is for grants under the Indian Community Development Block Grant Program, and \$7 million is for the Native American Section 184 and Title VI loan guarantees. That loan authority will leverage \$214 million in loan guarantees.

The Native Hawaiian community will receive, through the Department of Hawaiian Home Lands, \$10 million for the Native Hawaiian Housing Block Grant Program and \$1 million for the Section 184A Native Hawaiian Home Loan Guarantee Fund, which will leverage approximately \$40 million in loan guarantees.

There is \$5.6 million available for training and technical assistance to support these programs.

Finally, the Department requests \$5.4 million to support American Indian, Alaska Native and Native Hawaiian-oriented higher education institutions.

## INDIAN HOUSING BLOCK GRANT PROGRAM (IHBG)

Adjustments in the Indian Housing Block Grant (IHBG) program have been made to allow for more funds to be available for tribal use. The FY 2003 budget includes \$646.6 million for the IHBG program. Although this is a decrease of \$2 million from FY 2002, reducing set-asides will actually allow for a \$6.4 million increase in grant dollars available to tribes.

The decreases in set-asides are from the Training and Technical Assistance category, Title VI Program, and Working Capital Fund.

## HUD TRAINING AND TECHNICAL ASSISTANCE

The Training and Technical Assistance component of this program has been reduced to \$3 million, down from \$5 million the previous year. This action was taken in recognition that several years have passed since implementation of this program, and most tribes have been provided with the initial and in-depth training and technical assistance necessary to implement such a new and sweeping change in the way we do business. Training and Technical Assistance remains a critical component of the program, and we propose that a portion of it be accomplished in partnership with the National American Indian Housing Council.

## NAIHC TRAINING AND TECHNICAL ASSISTANCE

The President's Budget includes a \$2.2 million set-aside from the IHBG Program to continue the same level of support as provided in last year's budget to the National American Indian Housing Council. These funds, as in the past, will be made available under a contract to the organization in return for their training and technical assistance services to NAHASDA grantees. I would encourage the NAIHC to work with the Department to ensure that these funds are obligated expeditiously, and that the training and technical assistance activities occur as soon as is feasible. In FY 2000, HUD executed a \$2 million training and technical assistance contract with NAIHC. As of December, 2001, less than \$500,000 of those funds had been expended.

## TITLE VI TRIBAL HOUSING ACTIVITIES LOAN GUARANTEE FUND

The Title VI Tribal Housing Activities Loan Guarantee Fund (Title VI) is also a set-aside under the IHBG Program. This budget recognizes that until the program is more fully subscribed, it is more effective to use available funds in the IHBG Program and allocate it by formula directly to IHBG grantees. There is sufficient carry-over of unused guarantee authority which, when combined with this year's budget request, will support anticipated future program needs. This allows \$4 million to be added back into the IHBG formula.

## WORKING CAPITAL FUND

In the Department's FY 2002 IHBG appropriation, not less than \$3 million was allocated to the Working Capital Fund for internal information technology improvements. In an attempt to better prorate the amount required from each program it was determined that the amount allocated from the FY 2003 IHBG account should be reduced to \$600,000. This \$2.4 million reduction from the FY 2002 appropriation is included in a direct appropriation to the Working Capital Fund.

## SECTION 184 INDIAN HOUSING LOAN GUARANTEE FUND

Last year, the Section 184 Indian Housing Loan Guarantee Fund received its first annual credit subsidy re-estimate, as required by the Credit Reform Act. The re-estimate resulted in a reduced subsidy rate, which tripled loan amounts available for guarantee when holding Budget Authority constant during FY 2002. The subsidy rate declined due in part to the low number of defaults. The \$1 million reduction in the FY 2003 budget request reflects the impact of that recalculation adjusted by anticipated utilization. The \$5 million in FY 2003 provides to \$197.24 million in loan guarantee authority.

## INDIAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

The President's FY 2003 Budget request for the Indian Community Development Block Grant (ICDBG) Program is \$72.5 million. This budget will provide an increase of \$2.5 million over the amount appropriated in FY 2002. \$1.5 million is allocated to the operation of the Native American Economic Development Access Center (Native eDGE).

### NATIVE eDGE

Native eDGE, which began as a pilot project within the Department, is now an interagency initiative linking 18 Federal agencies through a single economic development access center so that tribes, Native Americans, lending institutions, non-profits, foundations and private businesses can collaborate to promote economic growth and find innovative solutions to chronic economic development problems in Indian Country. The President's Budget requests that \$1.5 million be set-aside from the ICDBG allocation to continue support of this award winning and much needed initiative.

## NATIVE HAWAIIAN HOUSING BLOCK GRANT PROGRAM

For FY 2003, the Department is requesting \$10 million. This budget recognizes the unique housing needs of Native Hawaiian families eligible to reside on the Hawaiian Home Lands, and the Department is now beginning to meet those needs. A further acknowledgement is the establishment of a separate program account for the Native Hawaiian Housing Block Grant Program. It is anticipated that an Interim Regulation implementing the new Native Hawaiian Housing Block Grant Program will be published in the *Federal Register* within the next two months. This action will facilitate immediate distribution of funds and implementation of the program while public comments are being received toward publication of final regulations.

## SECTION 184A NATIVE HAWAIIAN HOUSING LOAN GUARANTEE FUND

The Budget requests that \$1 million be allocated to the Section 184A Native Hawaiian Housing Loan Guarantee Fund. At that level of funding, this new loan guarantee program, modeled after the Section 184 Program, will provide up to \$40 million in loan guarantee authority to guarantee market-rate mortgage loans to income-eligible Native Hawaiian families who choose to reside on the Hawaiian Home Lands. The Department of Hawaiian Home Lands (DHHL), a State agency, is the primary program partner. DHHL is the agency responsible for allocation of leasehold interests on the Hawaiian Home Lands. Program procedures and activities will mirror the Section 184 Program as closely as is appropriate. Until direct-endorsement lenders are approved, the ONAP National Programs Office will work closely with DHHL and individual borrowers to review, underwrite and issue guarantee certificates for all loans.

## TRIBAL COLLEGES AND UNIVERSITIES AND ALASKA NATIVE AND NATIVE HAWAIIAN SERVING INSTITUTIONS

The President's budget request includes, under the Community Development Fund, \$3 million for competitive grants to tribal colleges and universities to provide resources to build, expand, renovate and equip their facilities, and \$2.4 million to assist Alaska Native and Native Hawaiian serving institutions, as they are defined under the Higher Education Act, as amended.

## CONCLUSION

Finally, let me state for the record that the President's budget request for HUD's Indian housing, community development and education programs supports the progress being made by tribes in providing housing and housing-related activities in Indian Country.

This concludes my prepared remarks. I would be happy to answer any questions you may have.